United Nations A/52/431

General Assembly

Distr.: General
6 October 1997

Original: English

Fifty-second session
Agenda item 99 (a)
Operational activities for development: operational activities for development of the United Nations system

Report on funding modalities of operational activities as requested by the Economic and Social Council

Report of the Secretary-General

Background

1. As foreseen by the General Assembly in its resolution 50/227 of 24 May 1996 and the Economic and Social Council in its resolution 1997/59 of 24 July 1997, the Assembly will examine, in the early part of its fifty-second session, the question of new funding modalities for operational activities for development of the United Nations system.

2. The present report, prepared pursuant to a request by the Economic and Social Council in paragraph 6 of its resolution 1997/59, supplements previous reports on the subject: (a) the report of the Secretary-General to the Council at its substantive session for 1997 (E/1997/65 and Add.1); and (b) the two reports prepared for the open-ended informal consultations on prospective new modalities for financing operational activities initiated pursuant to General Assembly resolution 48/162 of 20 December 1993 (A/48/940 and A/49/834).

3. The latter two documents reviewed the principal features of a number of funding modalities, ranging from assessed contributions to negotiated pledges, and offered recommendations aimed primarily at placing voluntary pledges on a more secure and predictable basis by offering ideas on: multi-year pledges (or some early indication of intentions to possibly reduce contributions from current levels); dealing with currency fluctuations; and linking funding to programmes endorsed by the relevant governing body. It may be recalled that several of these informal consultations were held, with inconclusive results, as recorded in the Chairman's summary (see A/49/749, annexes I and II).

4. The report of the Secretary-General entitled "Renewing the United Nations: A programme for reform" (A/51/950), is particularly germane to the renewed examination of the subject of funding modalities. It points out in paragraph 147 that despite growing demand for United Nations development support, "the key funds and programmes of the United Nations continue to face stagnation and lack of predictability and reliability in core contributions, accompanied by a significant growth in earmarked resources". It indicates that steps are being taken to elaborate proposals of a burden-sharing arrangement designed to increase core resources and the setting up of an Office for Development Financing (action 11). Furthermore, it recommends to Member States "that a new system of core resources consisting of voluntary contributions and negotiated pledges to be appropriate in multi-year tranches be established".

97-26681 (E) 151097 161097

Current policy parameters

5. Past examination of new funding modalities, including by the open-ended consultations mentioned in paragraph 2 above, took place against a background of policy parameters that favoured maintenance of the current system of voluntary funding, a position reiterated by individual Governments.

6. Among those policy parameters was that funding: be voluntary; be focused on core resources, originating essentially from official sources; be multilateral and neutral and remain universally accessible; produce stable, secure and predictable levels of funding linked to programme requirements of the funds and programmes; and contain elements leading to more burden-sharing.

7. In its resolution 1997/59 the Council reiterated a number of policy parameters established by the General Assembly in previous resolutions and stated that any funding modality should focus, in particular, on core resources and that voluntary resources from official sources should remain the main source of funding the operational activities for development. Other categories of non-core resources should be seen as a supplement to core resources aimed at enhancing the capacity of the United Nations development system to deliver operational activities.

Funding targets

8. In annex I, paragraph 12, of its resolution 50/227, the General Assembly assigned to the governing boards of the United Nations funds and programmes responsibility for adopting, in the context of their programme arrangements and financial plans, a realistic target for core resources, based on the needs arising from their agreed programmes and priorities, as well as specific mandates of each programme and fund. Accordingly, the boards identified requested funding targets in their relevant decisions.

9. In its decision 95/23 of 16 June 1995, the Executive Board of the United Nations Development Programme (UNDP)/United Nations Population Fund (UNFPA), adopted for UNDP planning purposes the initial figure of US$ 3.3 billion for core resources for a three-year period starting in 1997, and stressed that increasing voluntary contributions to core resources should remain the central effort of all donors, in particular, traditional donors. The Board also recognized the importance of non-core resources, including cost-sharing and non-traditional sources of financing.

10. In its decision 97/11, the Executive Board approved for 1998 programme expenditure authority for UNFPA at the level equal to expected new programmable resources for 1998, estimated at $278 million and endorsed the following estimates of new programmable resources from regular resources for programme planning for the 1999-2001 period: $298 million for 1999; $318 million for 2000; and $371 million for 2001. The Board also endorsed estimates of $25 million per year for the years 1998-2001, from multi-bilateral funding (non-core resources).

11. The United Nations Children's Fund (UNICEF), funding targets approved by the Executive Board are contained in its medium-term plan, which is a rolling four-year plan that is updated every two years, except for the financial plan, which is updated yearly. The latest medium-term plan approved by the Board at its third regular session of September 1997, forecasted total income for 1997 of $915 million, 3 per cent less than for 1996. The funding target set for 1998 is $940 million, which is a slight increase over 1997. The funding target projected for 1999 is $963 million and for 2000 is $996 million. The previous medium-term plan approved by the annual Board session of 1996 forecasted that total income should increase to $1,127 million by 1999.

12. The World Food Programme (WFP) works in both development and relief, and it receives its contributions both in cash and in kind. The trend in funding over the past several years has seen an increase in the overall level of funding since 1990, accompanied by a dramatic shift in the proportion of funds provided for development activities and emergency relief operations. In November 1995, the governing body of WFP approved new resource and long-term financing policies, which the secretariat has been implementing on a trial basis commencing 1 January 1996. Of the contributions made to WFP in 1996, 28 per cent were for development work, 46 per cent for emergency operations and 24 per cent for protracted relief. In addition, 2 per cent were pledged in support of special operations. The sharp decline in development contributions made it difficult to meet commitments and reinforced the need to introduce a development dimension into relief effort. The downward trend in development contributions has been accompanied by an increase in the proportion of development resources that have conditions on their use. In 1996, approximately 50 per cent of WFP resources were core. Most of the non-core resources are directed to emergency relief operations.

Recent data on contributions

13. As reported to the most recent substantive session of the Economic and Social Council, core resources contributed

to UNDP, UNICEF and WFP declined between 1991 and 1995 in nominal United States dollars (see E/1997/65/Add.1). In the case of UNDP, this decrease was from $1,022 million in 1991 (and a high of $1,074 million in 1992) to $917 million in 1995 — a trend that continued in 1996 and 1997 ($844 million and $764 million (estimated), respectively). These figures are far below the target of $1.1 billion adopted for UNDP planning purposes in decision 95/23 of the UNDP/UNFPA Executive Board. For UNICEF, core resources stood at $548 million in 1992, and $551 million in 1996, declining to an estimated level of $545 million in 1997. The situation at UNFPA differs as there was an increase from $219 million in 1991 to $305 million in 1995, although since 1995, there was a decrease of about 10 per cent.

14. In the case of WFP, there was a sharp decline in the overall level of funding from more than $1.7 billion in 1992 to $1.3 billion in 1996 (a trend that is estimated to continue in 1997) associated with a sharp decline in expenditures for development activities both in real terms and in ratio to relief activities from 54 per cent of total expenditures in 1990 to 31 per cent in 1995. In 1997, a further decline is envisaged, which makes it difficult to carry out that part of its mandate.

15. The annex to the present report provides updated figures on contributions, revealing that a further reduction in contributions for 1996 took place, a trend that is estimated to continue in 1997. During this same period, the shares of non-core resources in total funding of United Nations funds and programmes constituted almost half, except for UNFPA, where it stands at about 20 per cent.

Conclusion

16. Clearly, the current funding modality for core resources is not generating the contributions required to meet the established programme targets and new requirements arising from the recent cycle of United Nations conferences. Any new modality must, obviously, command wide political support, for the decision to contribute is clearly a political choice, which may be affected more by political considerations than the technical features of a funding modality.

17. An important feature of the current funding situation is that, as core resources declined, there was a relatively rapid increase in non-core and earmarked resources. The implication of this trend was assessed in the report of the Secretary-General to the Economic and Social Council (see E/1997/65/Add.1, sect. II). For both categories of contributions, as noted in that report, a small number of donors contribute more than 90 per cent of the funds. In assessing the potential of new funding modalities it might be useful to examine the rationale prompting some countries to favour non-core funding avenues. Such examination may help develop a more responsive mechanism and programme policies guiding core funding, bringing them into closer alignment with policies guiding non-core contributions.

18. Moreover, separate consideration is being given to the subject of new and innovative funding of global development requirements, involving a review of a variety of new sources. This subject is mentioned, together with funding modalities, *inter alia,* in paragraph 17 of annex I to General Assembly resolution 50/227. The Council considered this subject separately on the basis of document A/52/203-E/1997/85. The link of any new funding modality and new and innovative funding ideas may need to be clarified, in particular, as it pertains to funding of operational activities for development.

Annex

Contributions to United Nations Funds and Programmes, 1991-1997

(Millions of United States dollars)

		UNDP	*UNDP Administration*	*Subtotal*	*Percentage*	*UNFPA*	*Percentage*	*UNICEF*	*Percentage*	*WFP*[a]
1991	Core	1 022.0	63.5	1 085.5	81	219.3	98	506.0	63	
	Other	220.0	39.8	259.8	19	4.7	2	301.0	37	
Total		**1 242.0**	**103.3**	**1 345.3**	**100**	**233.0**	**100**	**807.0**	**100**	**1 401.1**
1992	Core	1 073.8	55.9	1 129.7	76	233.2	98	548.0	58	
	Other	408.0	30.3	438.3	24	5.0	2	390.0	42	
Total		**1 481.8**	**86.2**	**1 568.0**	**100**	**238.2**	**100**	**938.0**	**100**	**1 734.9**
1993	Core	907.9	47.5	955.4	66	217.0	99	509.0	59	
	Non-core	475.5	25.1	500.6	34	2.7	1	357.0	41	
Total		**1 383.4**	**72.6**	**1 456.0**	**100**	**219.7**	**100**	**866.0**	**100**	**1 435.1**
1994	Core	916.7	45.7	962.4	53	254.5	96	535.0	53	
	Non-core	832.9	15.4	848.3	47	10.7	4	471.0	47	
Total		**1 749.6**	**61.1**	**1 810.7**	**100**	**265.2**	**100**	**1 006.0**	**100**	**1 515.0**
1995	Core	926.8	52.8	979.6	52	305.0	91	537.0	54	
	Non-core	870.5	28.7	899.2	48	32.1	9	474.0	47	
Total		**1 797.3**	**81.5**	**1 878.8**	**100**	**337.1**	**100**	**1 011.0**	**100**	**1 282.4**
1996	Core	844.0	51.9	895.9	40	308.7	97	551.0	58	675.9
	Non-core	1 297.8	24.6	1 322.4	60	8.3	3	393.0	42	660.2
Total		**2 141.8**	**76.5**	**2 218.3**	**100**	**317.0**	**100**	**944.0**	**100**	**1 336.1**
1997[b]	Core	764.2	50.9	815.1	37	285.0	92	545.0	59	659.5
	Non-core	1 366.6	20.0	1 386.6	63	25.0	8	370.0	41	659.5
Total		**2 130.8**	**70.9**	**2 201.7**	**100**	**310.0**	**100**	**915.0**	**100**	**1 319.0**

[a] From 1991 to 1995 core and other resources not available. For 1996 and 1997, figures are provisional.

[b] Estimates.